

Message Text

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PAGE 01 HONG K 12848 120844Z
ACTION EA-12

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INFO USLO PEKING

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E.O. 11652: N/A
TAGS: EEWT, EFIN, CH, HK
SUBJ: HONG KONG INVESTORS TO BUILD HOTELS IN CHINA

REF: A) PEKING A-84, B) PEKING 2715; C) HONG KONG 11876;
D) HONG KONG 12640

1. HONG KONG'S SOUTH CHINA MORNING POST REPORTED SEPT 9 THAT A GROUP OF LEADING HONG KONG PROPERTY DEVELOPERS HAVE REACHED AGREEMENT IN PRINCIPLE WITH PEKING TO BUILD TOURIST HOTELS IN PEKING, CANTON, SHANGHAI, KWEILIN, HANGCHOW, AND THE HONG KONG-CANTON PROVINCE BORDER TOWN OF SHUMCHUN. THE HONG KONG COMPANIES INVOLVED IN THE AGREEMENT ARE HOPEWELL HOLDINGGS, SUN HUNG KAI PROPERTIES, NEW WORLD DEVELOPMENT, AND SUN HUNG KAI SECURITIES, ALL OF WHICH HAVE TIES TO THE PRC.

2. MR. GORDON WU OF HOPEWELL HOLDINGS INFORMED THE NEWSPAPER THAT THE HOTELS TO BE BUILT BY THE HONG KONG GROUP WILL BE OWNED AND MANAGED BY THE PRC. INVESTORS WILL BE ALLOWED A RELATIVELY HIGH PERCENTAGE OF THE INITIAL PROFITS TO ENABLE THEM TO RECOUP THEIR INVESTMENTS IN THE SHORT TERM. A MEETING WILL BE HELD IN PEKING NEXT MONTH TO FINALIZE THE TERMS OF REPAYMENT.

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PAGE 02 HONG K 12848 120844Z

3. ACCORDING TO ANOTHER NEWSPAPER HONG KONG-BASED INVESTORS WILL PROVIDE US\$11.8 MILLION IN CAPITAL TO CONSTRUCT A 500 ROOM HOTEL IN PEKING. CHINA WILL GIVE THE FOREIGN INVESTORS A FIVE YEAR PERIOD IN WHICH TO RECOUP THEIR INVESTMENT. AFTER THAT TIME THE STATE WILL TAKE OVER FULL OWNERSHIP.

4. THE REPORTED HOTEL PROJECTS ARE THE FIRST SPECIFIC CASES TO OUR KNOWLEDGE OF PLANS TO USE HONG KONG (OR OTHER FOREIGN) CAPITAL TO HELP DEVELOP THE PRC'S TOURIST INDUSTRY. IF THE PROJECTS MATERIALIZE, THEY WILL PROBABLY WORK IN THE SAME GENERAL WAY AS THE "PAYBACK SCHEME" IN THE MANUFACTURING SECTOR REPORTED REF D. SHOESMITH

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